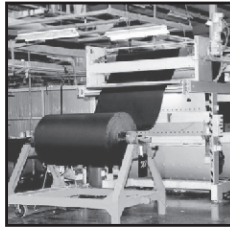




**Kohinoor Mills Limited**

Half Yearly Report

For The Period Ended 31 December 2010



# CONTENTS

Company Information	2
Directors' Report	4
Auditors' Report to the Members	6
Unconsolidated Condensed Interim Balance Sheet	8
Unconsolidated Condensed Interim Profit and Loss Account	10
Unconsolidated Condensed Interim Statement of Comprehensive Income	11
Unconsolidated Condensed Interim Cash Flow Statement	12
Unconsolidated Condensed Interim Statement of Changes In Equity	13
Selected Notes to the Unconsolidated Condensed Interim Financial Information	14
Consolidated Condensed Interim Balance Sheet	24
Consolidated Condensed Interim Profit and Loss Account	26
Consolidated Condensed Interim Statement of Comprehensive Income	27
Consolidated Condensed Interim Cash Flow Statement	28
Consolidated Condensed Interim Statement of Changes In Equity	29
Selected Notes to the Consolidated Condensed Interim Financial Information	30

# Company Information

## **Board of Directors**

Mr. Aamir Fayyaz Sheikh	Chief Executive /Chairman
Mr. Asad Fayyaz Sheikh	Director
Mr. Ali Fayyaz Sheikh	Director
Mr. Rashid Ahmed	Director
Mr. Kamran Shahid	Director
Mr. Aamir Amin	Director (NIT Nominee)
Mr. Tahir Bashir Solehria	Director

## **Audit Committee**

Mr. Rashid Ahmed	Chairman
Mr. Asad Fayyaz Sheikh	Member
Mr. Ali Fayyaz Sheikh	Member

## **Chief Financial Officer**

Mr. Kamran Shahid

## **Head of Internal Audit**

Mr. Faisal Sharif

## **Legal Advisors**

- Raja Mohammad Akram & Co.,  
Advocate & Legal Consultants,  
Lahore.
- Malik Muhammad Ashraf Kumma  
Advocate

## **Company Secretary**

Mr. Muhammad Rizwan Khan

## **Auditors**

M/s. Riaz Ahmad & Co.,  
Chartered Accountants.

## **Registered Office & Mills**

8<sup>th</sup> K.M. Manga Raiwind Road,  
District Kasur.

UAN: (92-42) 111-941-941  
CELL LINES: (92-333) 4998801-10  
LAND LINES: (92-42) 35391941-45  
FAX: (92-42) 35391946 & 35393459  
EMAIL: info@kohinoormills.com  
WEBSITE: www.kohinoormills.com

## **Shares Registrar**

M/s. Hameed Majeed Associates (Pvt.) Ltd, HM House,  
7 Bank Square, Lahore.  
LAND LINES: (92-42) 37235081 & 82  
FAX: (92-42) 37358817

## **Bankers**

- Allied Bank Limited
- Al Baraka Islamic Bank B.S.C. (E.C)
- Askari Bank Limited
- Bank Alfalah Limited
- Faysal Bank Limited
- Habib Bank Limited
- MCB Bank Limited
- National Bank of Pakistan
- NIB Bank Limited
- Silk Bank Limited
- Standard Chartered Bank (Pakistan) Ltd
- The Bank of Punjab
- United Bank Limited

## **Liaison Office**

Room No. 301-302, 3<sup>rd</sup> Floor, Regency Plaza,  
Gulberg 3, Lahore

LAND LINES: (92-42) 35757461-5  
FAX: (92-42) 35757460

## **Stock Exchange**

Kohinoor Mills Limited is a public limited Company and its shares are traded under personal goods sector at all three Stock Exchanges of Pakistan.

**KOHINOOR MILLS LIMITED**

**CONDENSED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED  
31 DECEMBER, 2010**

# Directors' Report

The Directors of the Company present the un-audited interim financial statements for the half-year ended 31 December 2010. These accounts are presented in accordance with the requirements of the Companies Ordinance, 1984.

## Corporate and debt restructuring

The company incurred loss after taxation of Rupees 1,136.512 million in the preceding financial year ended 30 June 2010 and further incurred loss after taxation of Rupees 778.030 million for the current half year ended 31 December 2010. These losses have resulted in erosion of company's reserves and depletion of working capital base and further, the company has been unable to meet its debt repayment obligations. In order to turn the current state of affairs around, the management has devised a detailed strategy for corporate and debt restructuring. With its long experience in fabric business, the management believes that the company can benefit from its expertise in production, marketing and selling of griege and dyed fabric better than other businesses and that current circumstances warrant that the company should focus solely on its core competencies. Accordingly, the revised strategy envisages full focus on its core business of griege and dyed fabric and divestment from hosiery and apparel operations.

The proposed plan entails disposal of assets in hosiery and apparel divisions and repayment of debt out of their sale proceeds, restructuring and rescheduling of the remaining debt and injection of fresh working capital to cover the capacity losses in Weaving and Dyeing divisions. The company has finalized the sale of hosiery assets and apparel land and building with an interested buyer. Further, the "in principle" approval has been obtained from all the major bankers for the proposed settlement and restructuring of the company's debt. The debt remaining after repayment is proposed to be converted into long term loan with an initial moratorium on principal repayments for two years and at a sustainable mark up rate. Further, the banks shall also disburse a fresh working capital line of Rupees 700 million. The management is confident that these steps will bring the company out of the existing financial crisis.

## Operating & Financial Results

In line with the management's intention to discontinue operations in Hosiery and Apparel divisions, the results of these divisions have been disclosed under the head "Loss from discontinued operations" as per requirements of the approved accounting standards, separately from the results from continuing operations, i.e, Weaving, Dyeing and Genertek divisions.

Your company earned a gross profit of Rupees 99.848 million on sales of Rupees 2,689.541 million from continuing operations during the half-year ended 31 December 2010, as compared to gross profit of Rupees 225.578 million on sales of Rupees 3,053.661 million for the corresponding period of the previous financial year (FY) 2009-10. Gross margin remained at 3.71% during the period under review, as compared to 7.39% of the corresponding period of the previous financial year. The net loss from continuing operations was Rupees 427.161 million during the current half-year, compared to the corresponding figure of Rupees 448.383 million for FY 2009-10. In its discontinued businesses of Hosiery and Apparel, the company suffered a loss of Rupees 350.869 million during the current half year, due to unrecovered fixed costs. Overall, the company netted loss after tax of Rupees 778.029 million during the period under review compared to Rupees 448.383 million during the corresponding period last financial year.

With constricted liquidity due to continued losses, the company could not operate these divisions at optimal capacity and thus was unable to recover most of its fixed costs. In addition, higher raw material prices of yarn and fabric and continued gas load-shedding, forcing company to utilize expensive alternate fuel sources, further squeezed the overall gross margins.

### **Weaving Division**

With passing on of yarn price hike into greige fabric prices, the performance in this division recorded improvement. Keeping in view the good order position in this division, the management is confident that with improved working capital and resultant better capacity utilization, the performance in this division will improve further in remaining part of the year.

### **Dyeing Division**

The increase in greige fabric prices squeezed the overall margins in this division, despite higher turnover, during the first quarter as compared to the corresponding period of FY2009-10. However, as the dyed fabric prices have shown an upward trend in later months, passing-through most of the increase in raw material costs to customers, the bottom-line has registered recovery. The management is hopeful that after the sanctioning of new working capital facility, the situation would record a turn-around and a significant improvement in this division in remaining part of the year.

### **Genertek Division**

The persistent gas load shedding, averaging three to four days per week, forced company to utilize HFO-based Niigata engines for electricity generation. Resultantly, the overall results remained depressed. After passing of the winter season, the gas load-shedding situation is expected to improve and this division is expected to recover some of its losses in remaining part of the year.

### **Q Mart Corporation (Pvt) Ltd (a wholly owned subsidiary of your company)**

Q Mart Corporation is currently operating with four stores in different locations of Punjab. Moreover, the management has increased the product range being offered to increase the stores' revenue and has teamed-up with local brands, renting them out the available floor-space where they offer their own products. Further, the management intends to roll out two new stores in Lahore city in coming months. The management is hopeful that these efforts will result in this company making profits as the sale turnover increases.

### **Future Prospects**

The company went through a difficult phase during past few years working capital shortage due to continued losses made operating its production facilities at all divisions at optimal level difficult. However, after corporate restructuring and the finalization of debt restructuring of the company, as discussed earlier, the company will get new working capital facilities. These funds will enable the company to operate its core divisions again at the full capacity level and mitigate the negative effects of rising raw material prices. The current order book of the company is quite healthy and it has confirmed orders up to June 2011 for the full capacity. Therefore, the management is confident, that after completion of the restructuring, the company will come out of the crisis-like situation and return to profitability once again in the coming years.

### **Acknowledgment**

The Board places on record its profound gratitude for its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the company to strive for constant improvement. During the period under review, relations between the management and employees remained cordial and we wish to place on record our appreciation for the dedication, perseverance and diligence of the staff and workers of the company.

### **For and on behalf of the Board**

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

**Kasur:**  
**24 February 2011**

# **AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**

## **Introduction**

We have reviewed the accompanying unconsolidated condensed interim balance sheet of KOHINOOR MILLS LIMITED as at 31 December 2010 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity together with the notes forming part thereof (herein after referred to as “unconsolidated condensed interim financial information”), for the half year then ended. Management is responsible for the preparation and presentation of this unconsolidated condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this unconsolidated condensed interim financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended 31 December 2010 and 31 December 2009 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2010.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of unconsolidated condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## **Emphasis of Matter**

Without qualifying our conclusion, we draw attention to note 1.2 to the unconsolidated condensed interim financial information, which indicates that the company has incurred a net loss of Rupees 778.030 million during the half year ended 31 December 2010. Equity of the company has been eroded due to accumulated losses of Rupees 2,812.248 million as on 31 December 2010. At unconsolidated condensed interim balance sheet date, the company's current liabilities exceeded its current assets by Rupees 2,858.982 million. The company could not meet its obligation in respect of repayment of long term financing, short term borrowings and finance cost accrued thereon. These conditions, alongwith other matters as set forth in the note 1.2, indicate the existence of material uncertainty which may cast doubt about the company's ability to continue as a going concern.

This unconsolidated condensed interim financial information has however been prepared on a going concern basis subject to the assumptions of injection of new share capital through right shares and support from lending institutions with restructuring of existing financing facilities, reduction in markup rates and sanctioning of new working capital facility for the company.

### **RIAZ AHMAD & COMPANY** **Chartered Accountants**

**Name of engagement partner:**  
**Syed Mustafa Ali**

**Lahore**

**Date: 24 February 2011**

**UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET  
AS AT 31 DECEMBER 2010**

	Note	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
80,000,000 (30 June 2010: 80,000,000)			
ordinary shares of Rupees 10 each		800,000,000	800,000,000
30,000,000 (30 June 2010: 30,000,000)			
preference shares of Rupees 10 each		<u>300,000,000</u>	<u>300,000,000</u>
		<u>1,100,000,000</u>	<u>1,100,000,000</u>
<b>Issued, subscribed and paid-up share capital</b>			
50,911,011 (30 June 2010: 50,911,011)			
ordinary shares of Rupees 10 each		509,110,110	509,110,110
Reserves		<u>(1,335,277,811)</u>	<u>(597,598,306)</u>
<b>Total equity</b>		<u>(826,167,701)</u>	<u>(88,488,196)</u>
<b>Surplus on revaluation of operating fixed assets</b>		1,016,025,867	1,024,153,342
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	5	302,634,644	346,048,931
Deferred income tax liability		103,551,505	92,861,746
		406,186,149	438,910,677
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,255,869,086	1,336,138,701
Accrued mark up		776,769,970	494,147,375
Short term borrowings - secured		4,396,975,962	4,508,280,549
Current portion of long term financing		967,777,024	924,362,737
Provision for taxation		32,290,892	54,478,371
		<u>7,429,682,934</u>	<u>7,317,407,733</u>
<b>Total liabilities</b>		<u>7,835,869,083</u>	<u>7,756,318,410</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,025,727,249</u>	<u>8,691,983,556</u>

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Fixed assets	7 3,153,290,970	5,181,769,803
Long term investments	300,000,000	300,000,000
Long term security deposits	<u>1,735,750</u>	<u>1,440,751</u>
	<u>3,455,026,720</u>	<u>5,483,210,554</u>
<b>CURRENT ASSETS</b>		
Stores, spares and loose tools	284,243,864	323,609,725
Stock-in-trade	741,388,040	1,119,779,665
Trade debts	742,226,900	774,726,517
Loans and advances	247,657,958	329,990,567
Trade deposits and short term prepayments	13,365,060	11,577,434
Other receivables	193,573,994	180,795,300
Sales tax recoverable	94,838,172	120,711,830
Short term investments	313,255,432	272,263,840
Cash and bank balances	38,119,620	75,318,124
	<u>2,668,669,040</u>	<u>3,208,773,002</u>
Non-current assets held for sale	8 1,902,031,489	-
	<u>4,570,700,529</u>	<u>3,208,773,002</u>
<b>TOTAL ASSETS</b>	<u><u>8,025,727,249</u></u>	<u><u>8,691,983,556</u></u>

  
 ASAD FAYYAZ SHEIKH  
 DIRECTOR

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Note	HALF YEAR ENDED		QUARTER ENDED	
	31 December	31 December	31 December	31 December
	2010	2009	2010	2009
	Rupees	Rupees	Rupees	Rupees
<b>CONTINUING OPERATIONS:</b>				
SALES	2,689,540,558	3,053,660,901	1,388,596,682	1,406,666,685
COST OF SALES	9 (2,589,692,085)	(2,828,082,450)	(1,356,230,173)	(1,339,461,386)
GROSS PROFIT	99,848,473	225,578,451	32,366,509	67,205,299
DISTRIBUTION COST	(154,277,942)	(188,234,463)	(67,601,142)	(97,610,054)
ADMINISTRATIVE EXPENSES	(73,617,482)	(96,333,962)	(36,669,209)	(48,814,760)
OTHER OPERATING EXPENSES	(3,613,959)	(78,196,549)	(427,639)	(51,751,876)
	(231,509,383)	(362,764,974)	(104,697,990)	(198,176,690)
	(131,660,910)	(137,186,523)	(72,331,481)	(130,971,391)
OTHER OPERATING INCOME	9,481,872	29,122,057	3,749,136	12,891,917
LOSS FROM OPERATIONS	(122,179,038)	(108,064,466)	(68,582,345)	(118,079,474)
FINANCE COST	(278,076,041)	(318,895,850)	(150,871,751)	(176,431,202)
LOSS BEFORE TAXATION	(400,255,079)	(426,960,316)	(219,454,096)	(294,510,676)
TAXATION	(26,905,539)	(21,422,964)	(13,491,448)	(8,955,428)
LOSS AFTER TAXATION FROM CONTINUING OPERATIONS	(427,160,618)	(448,383,280)	(232,945,544)	(303,466,104)
<b>DISCONTINUED OPERATIONS:</b>				
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	8 (350,869,087)	-	(252,841,367)	-
<b>LOSS AFTER TAXATION</b>	<u>(778,029,705)</u>	<u>(448,383,280)</u>	<u>(485,786,911)</u>	<u>(303,466,104)</u>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>				
- CONTINUING OPERATIONS	(8.39)	(8.81)	(4.58)	(5.96)
- DISCONTINUED OPERATIONS	(6.89)	-	(4.97)	-

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2010 Rupees	31 December 2009 Rupees	31 December 2010 Rupees	31 December 2009 Rupees
LOSS AFTER TAXATION	(778,029,705)	(448,383,280)	(485,786,911)	(303,466,104)
OTHER COMPREHENSIVE INCOME				
Impairment loss taken to profit and loss account	-	60,750,902	-	34,341,429
Surplus on remeasurement of available for sale investment	43,691,832	112,136,832	43,691,832	112,136,832
Deferred income tax relating to surplus on available for sale investment	(11,469,106)	(29,435,918)	(11,469,106)	(29,435,918)
Other comprehensive income for the period - net of tax	32,222,726	143,451,816	32,222,726	117,042,343
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(745,806,979)</u>	<u>(304,931,464)</u>	<u>(453,564,185)</u>	<u>(186,423,761)</u>

The annexed notes form an integral part of this unconsolidated condensed interim financial information.


  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR

## UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited) FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	HALF YEAR ENDED	
	31 December 2010	31 December 2009
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(745,691,210)	(426,960,316)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	140,181,362	151,561,715
Amortization of intangible asset	939,067	875,288
Dividend income	(2,076,608)	(2,076,608)
(Gain) / loss on sale of operating fixed assets	297,814	(1,147,055)
Impairment loss on equity investment	2,700,240	66,376,403
Finance cost	386,494,770	318,895,850
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL</b>	(217,154,565)	107,525,257
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	39,365,861	33,925,308
Stock-in-trade	378,391,625	123,187,192
Trade debts	32,499,617	(33,097,153)
Loans and advances	82,332,609	(116,085,465)
Trade deposits and short term prepayments	(1,787,626)	(5,435,079)
Other receivables	(41,488,899)	(53,795,256)
Sales tax recoverable	25,873,658	(2,537,743)
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	(80,269,615)	134,712,183
<b>EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES</b>	434,917,230	80,873,987
<b>CASH GENERATED FROM OPERATIONS</b>	217,762,665	188,399,244
Income tax paid	(24,518,510)	(23,981,127)
Finance cost paid	(103,872,174)	(216,716,957)
<b>NET CASH GENERATED FROM / (UTILIZED IN) OPERATING ACTIVITIES</b>	89,371,981	(52,298,840)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(23,139,897)	(91,253,033)
Proceeds from sale of property, plant and equipment	8,168,998	3,363,691
Dividend on equity investments received	-	2,076,608
Investment in subsidiary company	-	(33,370,500)
Long term security deposits	(294,999)	10,915
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(15,265,898)	(119,172,319)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings - net	(111,304,587)	(50,368,890)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(111,304,587)	(50,368,890)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(37,198,504)	(221,840,049)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	75,318,124	279,446,232
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	38,119,620	57,606,183

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	RESERVES						TOTAL EQUITY
	CAPITAL			REVENUE			
	Share premium	Fair value reserve	Sub-total	General	Accumulated loss	Sub-total	
	----- Rupees -----						
Balance as at 01 July 2009 - (Audited)	509,110,110	213,406,310	29,463,545	242,869,855	1,058,027,640	(922,746,949)	378,150,546
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	8,456,792	8,456,792
Total comprehensive loss for the half year ended 31 December 2009	-	-	143,451,816	143,451,816	-	(448,383,280)	(304,931,464)
Balance as at 31 December 2009 - (Un-audited)	509,110,110	213,406,310	172,915,361	386,321,671	1,058,027,640	(1,362,673,437)	81,675,874
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	8,456,791	8,456,791
Total comprehensive loss for the half year ended 30 June 2010	-	-	398,190	398,190	-	(688,129,161)	(687,730,971)
Balance as at 30 June 2010 - (Audited)	509,110,110	213,406,310	173,313,551	386,719,861	1,058,027,640	(2,042,345,807)	(597,598,306)
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	-	-	8,127,474	8,127,474
Total comprehensive loss for the half year ended 31 December 2010	-	-	32,222,726	32,222,726	-	(778,029,705)	(745,806,979)
Balance as at 31 December 2010 - (Un-audited)	509,110,110	213,406,310	205,536,277	418,942,587	1,058,027,640	(2,812,248,038)	(1,335,277,811)

The annexed notes form an integral part of this unconsolidated condensed interim financial information.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR

**SELECTED NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

**1. THE COMPANY AND ITS OPERATIONS**

1.1 Kohinoor Mills Limited (the Company) is a public limited company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The registered office of the Company is situated at 8-K.M. Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, stitching, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber, and to generate, distribute and sell electricity.

**1.2 GOING CONCERN ASSUMPTION**

The Company incurred loss after taxation of Rupees 1,136.512 million in the preceding financial year ended 30 June 2010 and further incurred loss after taxation of Rupees 778.030 million for the current half year ended 31 December 2010. These losses have resulted in erosion of Company's reserves and depletion of working capital base and further, the Company has been unable to meet its debt repayment obligations. In order to turn the current state of affairs around and replenish its lost working capital, the management has devised a detailed strategy envisaging increased focus on its core business of greige and dyed fabric and divestment from Hosiery and Apparel operations. The plan entails disposal of assets of these divisions and repayment of debt out of their sale proceeds, restructuring and rescheduling of the remaining debt and injection of fresh working capital. The Company has finalized the sale of Hosiery Division's assets and Apparel Division's building with an interested buyer. Further, the "in principle" approval has been obtained from all the major bankers for the proposed settlement and restructuring of the Company's debt.

The debt remaining after repayment is proposed to be converted into long term finance with ten years maturity and an initial moratorium on principal repayment for two years with reduced mark up rates. Further, the banks shall also disburse a fresh working capital line of Rupees 700 million. These funds will enable the Company to operate again at an optimum level. The current order book of the Company is quite healthy and it has confirmed orders upto June 2011 at full capacity in its core divisions. Therefore, the management is confident that these steps will bring the Company out of existing financial crisis and it will continue as a going concern. This unconsolidated condensed interim financial information, therefore, does not include any adjustment relating to realization of its assets and liquidation of any liabilities that might be necessary should the Company be unable to continue as a going concern.

**2. BASIS OF PREPARATION**

This unconsolidated condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This unconsolidated condensed interim financial information of the Company for the half year ended 31 December 2010 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This unconsolidated condensed interim financial information should be read in conjunction with the audited annual published financial statements of the Company for the year ended 30 June 2010.

**3. ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the preparation of the preceding audited annual published financial statements of the Company for the year ended 30 June 2010.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of this unconsolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this unconsolidated condensed interim financial information, the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Company for the year ended 30 June 2010.

	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>5. LONG TERM FINANCING - SECURED</b>		
Opening balance	1,270,411,668	1,270,411,668
Add: Obtained during the period / year	-	-
Less: Repaid during the period / year	-	-
	<u>1,270,411,668</u>	<u>1,270,411,668</u>
Less: Current and overdue portion shown under current liabilities	<u>(967,777,024)</u>	<u>(924,362,737)</u>
	<u>302,634,644</u>	<u>346,048,931</u>

## 6. CONTINGENCIES AND COMMITMENTS

### 6.1 CONTINGENCIES

There is no significant change in the status of contingencies as reported in the preceding audited annual published financial statements of the Company for the year ended 30 June 2010.

### 6.2 Commitments

- (i) Contracts for capital and revenue expenditures are amounting to Rupees Nil (30 June 2010: Rupees 0.650 million) and Rupees 58.671 million (30 June 2010: Rupees 51.383 million) respectively.
- (ii) Post dated cheques issued to suppliers are amounting to Rupees 152.105 million (30 June 2010: Rupees 27.507 million).

	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>7. FIXED ASSETS</b>		
Property, plant and equipment		
Operating assets (Note 7.1)	3,120,441,616	5,141,148,028
Capital work-in-progress (Note 7.2)	30,756,666	37,590,020
Intangible asset - computer software	<u>2,092,688</u>	<u>3,031,755</u>
	<u>3,153,290,970</u>	<u>5,181,769,803</u>

### 7.1 Operating assets

Opening book value	5,141,148,028	5,328,205,754
Add: Cost of additions during the period / year (Note 7.1.1)	<u>29,973,251</u>	<u>141,939,659</u>
	5,171,121,279	5,470,145,413
Less: Book value of deletions during the period / year (Note 7.1.2)	(8,466,812)	(19,212,150)
Book value of non-current assets classified as held for sale (Note 8)	(1,902,031,489)	-
Depreciation charged during the period / year	<u>(140,181,362)</u>	<u>(309,785,235)</u>
Closing book value	<u>3,120,441,616</u>	<u>5,141,148,028</u>

#### 7.1.1 Cost of additions

Factory building	4,459,029	2,992,907
Plant and machinery	21,095,652	129,925,991
Electric installations	1,248,994	1,577,930
Furniture, fixtures and equipment	978,179	820,150
Vehicles	889,999	4,993,543
Computers	1,301,398	1,629,138
	<u>29,973,251</u>	<u>141,939,659</u>

	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>7.1.2 Book value of deletions</b>		
Plant and machinery	7,674,445	12,868,261
Furniture, fixtures and equipment	-	96,568
Computers	17,099	31,058
Vehicles	775,268	6,216,263
	<u>8,466,812</u>	<u>19,212,150</u>
<b>7.2 Capital work-in-progress</b>		
Plant and machinery	30,756,666	36,900,020
Electric installations	-	690,000
	<u>30,756,666</u>	<u>37,590,020</u>

#### 8. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets classified as held for sale under International Financial Reporting Standard (IFRS) 5 'Non-current Assets Held For Sale and Discontinued Operations' in their respective categories are summarized hereunder:

##### (a) Non-current assets classified as held for sale

Property, plant and equipment - Hosiery Division (Note 8.1)	1,080,384,522	-
Property, plant and equipment - Apparel Division (Note 8.2)	264,146,967	-
Surplus Industrial land (Note 8.3)	557,500,000	-
	<u>1,902,031,489</u>	<u>-</u>

(Un-audited)

Half year ended	
31 December 2010	31 December 2009
Rupees	Rupees

##### (b) Analysis of the result of discontinued operations

###### Loss after taxation from discontinued operations

Hosiery Division (Note 8.1)	(342,407,347)	-
Apparel Division (Note 8.2)	(8,461,740)	-
	<u>(350,869,087)</u>	<u>-</u>

###### Cash flows from discontinued operations

Hosiery Division (Note 8.1)	(14,331,618)	-
Apparel Division (Note 8.2)	72,546	-
	<u>(14,259,072)</u>	<u>-</u>

A breakup of the constituents of non-current assets held for sale and discontinued operations is given as follows:

#### 8.1 Property, plant and equipment - Hosiery Division

The Board of Directors of the Company in its meeting held on 23 November 2010 resolved to dispose off the fixed assets of the Hosiery Division, which was approved by the members of the Company in the Extra-Ordinary General Meeting held on 20 January 2011. A Memorandum of Understanding for sale of assets by and between the Company, an interested buyer and majority shareholders of the Company was made on 24 December 2010 whereby the Company offered to sell and the interested buyer agreed to purchase the assets of Hosiery Division, free from any claims, demands, litigations, liens or encumbrances of any nature, for a sum of Rupees 1.5 billion. The Company is in the process of arranging 'no objection certificates' from the secured lenders of the Company, as a part of the sale proceeds will be utilized for repayment of existing liabilities towards the secured lenders. The Company is hopeful of executing the transfer documents, to confirm the sale of assets, before 28 February 2011.

	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>Non-current assets classified as held for sale</b>		
Residential building	42,226,955	-
Factory building	372,396,511	-
Plant and machinery	633,978,463	-
Electric installations	13,083,433	-
Furniture, fixtures and equipment	14,571,774	-
Computers	3,514,801	-
Intangible asset	612,585	-
	<u>1,080,384,522</u>	<u>-</u>

(Un-audited)

Half year ended	
31 December 2010	31 December 2009
Rupees	Rupees

#### Analysis of the result of discontinued operation

SALES	569,638,119	-
COST OF SALES	<u>(699,332,110)</u>	<u>-</u>
GROSS LOSS	(129,693,991)	-
DISTRIBUTION COST	<u>(34,615,652)</u>	<u>-</u>
ADMINISTRATIVE EXPENSES	(31,691,470)	-
OTHER OPERATING EXPENSES	<u>(36,209,217)</u>	<u>-</u>
	<u>(102,516,339)</u>	<u>-</u>
	(232,210,330)	-
OTHER OPERATING INCOME	<u>3,718,699</u>	<u>-</u>
LOSS FROM DISCONTINUED OPERATION	(228,491,631)	-
FINANCE COST	<u>(108,418,729)</u>	<u>-</u>
LOSS BEFORE TAXATION FROM DISCONTINUED OPERATION	(336,910,360)	-
TAXATION	<u>(5,496,987)</u>	<u>-</u>
LOSS AFTER TAXATION FROM DISCONTINUED OPERATION	<u><u>(342,407,347)</u></u>	<u><u>-</u></u>

#### Analysis of the cash flows of discontinued operation

Operating cash flows	46,307,485	-
Investing cash flows	(16,616,598)	-
Financing cash flows	<u>(44,022,505)</u>	<u>-</u>
	<u>(14,331,618)</u>	<u>-</u>

## 8.2 Property, plant and equipment - Apparel Division

The Board of Directors of the Company in its meeting held on 23 November 2010 also resolved to dispose off the fixed assets of Apparel Division. An Extra-Ordinary General Meeting of the members of the Company has been called on 24 February 2011 for consideration and approval of the disposal of Apparel Division's factory building and surplus industrial land of the company. An Addendum to the Memorandum of understanding, referred to in note 8.1 above, has been made on 31 January 2011. Apparel Division's factory building and a portion of surplus industrial land have been included in assets being sold and aggregate sale consideration, as agreed under the original Memorandum of Understanding dated 24 December 2010, has been enhanced to Rupees 1.9 billion. The completion of sale of Apparel Division's factory building is expected by 28 February 2011.

An active programme to locate a buyer for remaining non-current assets of Apparel Division and complete the disposal plan have been initiated. The proceeds from disposal of these remaining non-current assets classified as held for sale of Apparel Division are expected to exceed the carrying amount of these assets. The management is hopeful of completing the sale transaction within one year.

	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>Non-current assets classified as held for sale</b>		
Factory building	141,121,906	-
Plant and machinery	101,128,641	-
Electric installations	7,244,919	-
Furniture, fixtures and equipment	14,116,465	-
Computers	535,036	-
	<u>264,146,967</u>	<u>-</u>

(Un-audited)

Half year ended	
31 December 2010 Rupees	31 December 2009 Rupees

**Analysis of the result of discontinued operation**

SALES	19,640	-
COST OF SALES	(8,397,260)	-
GROSS LOSS	(8,377,620)	-
DISTRIBUTION COST	(419,939)	-
ADMINISTRATIVE EXPENSES	(244,443)	-
	(664,382)	*
	(9,042,002)	-
OTHER OPERATING INCOME	516,231	-
LOSS FROM DISCONTINUED OPERATION	(8,525,771)	-
FINANCE COST	-	-
LOSS BEFORE TAXATION FROM DISCONTINUED OPERATION	(8,525,771)	-
TAXATION	64,031	-
LOSS AFTER TAXATION FROM DISCONTINUED OPERATION	(8,461,740)	-

**Analysis of the cash flows of discontinued operation**

Operating cash flows	(85,855)	-
Investing cash flows	158,401	-
Financing cash flows	-	-
	<u>72,546</u>	<u>-</u>

**8.3 Surplus Industrial land**

As stated in Note 8.2 above, the Board of Directors of the Company has resolved to dispose off the surplus industrial land and an Extra-Ordinary General Meeting is being called for approval of disposal by members of the Company. A portion of surplus industrial land is being sold to an interested buyer as part of sale transaction referred to in Note 8.2 above. As regards remaining surplus industrial land, the lenders of the Company have expressed their interest in swap of their debt with surplus industrial land of the Company and necessary formalities in this regard are being completed. Management of the Company is hopeful of completing the disposal of surplus industrial land by the end of the current financial year.

(Un-audited)

Half year ended	
31 December 2010	31 December 2009
Rupees	Rupees

**9. COST OF SALES**

Raw material consumed	1,641,024,425	1,514,869,991
Chemical consumed	266,001,682	296,344,125
Salaries, wages and other benefits	90,783,678	144,140,062
Employees' provident fund contributions	3,895,742	5,986,180
Cloth conversion and processing charges	12,543,346	10,851,928
Fuel, oil and power	214,665,159	438,372,790
Stores, spares and loose tools consumed	54,887,390	90,780,466
Packing material consumed	17,039,382	44,872,330
Repair and maintenance	14,816,409	9,022,140
Insurance	3,383,811	3,574,601
Other manufacturing expenses	13,617,015	22,241,390
Depreciation	95,543,066	146,957,880
	<u>2,428,201,105</u>	<u>2,728,013,883</u>
Work-in-process inventory		
Opening stock	133,538,923	312,470,941
Closing stock	(106,464,074)	(270,302,698)
	<u>27,074,849</u>	<u>42,168,243</u>
Cost of goods manufactured	2,455,275,954	2,770,182,126
Cost of yarn and cloth purchased for resale	32,932,404	24,719,957
	<u>2,488,208,358</u>	<u>2,794,902,083</u>
Finished goods inventory		
Opening stock	584,673,771	631,137,184
Closing stock	(483,190,044)	(597,956,817)
	<u>101,483,727</u>	<u>33,180,367</u>
	<u><u>2,589,692,085</u></u>	<u><u>2,828,082,450</u></u>

10. SEGMENT INFORMATION

10.1 The Company has three reportable segments. The following summary describes the operation in each of the Company's reportable segments:

- Weaving
- Production of different qualities of greige fabric using yarn
- Dyeing
- Processing of greige fabric for production of dyed fabric.
- Power Generation
- Generation and distribution of power using gas, oil and steam.

10.2 Transaction among the business segments are recorded at arm's length prices using admissible valuation methods. Intersegment sales and purchases have been eliminated from total.

	Weaving		Dyeing		Hosiery *		Power Generation		Apparel *		Elimination of intersegment transactions		Total - Company	
	Un-audited 31 December 2010	Audited 30 June 2010	Un-audited Half year ended 31 December 2010	Audited Half year ended 30 June 2010	Un-audited Half year ended 31 December 2010	Audited Half year ended 30 June 2010	Un-audited Half year ended 31 December 2010	Audited Half year ended 30 June 2010	Un-audited Half year ended 31 December 2010	Audited Half year ended 30 June 2010	Un-audited Half year ended 31 December 2010	Audited Half year ended 30 June 2010	Un-audited Half year ended 31 December 2010	Audited Half year ended 30 June 2010
Sales	772,012,189	739,912,589	1,916,938,172	1,821,693,766	-	379,035,301	590,197	304,344,913	-	8,674,332	-	-	2,889,540,553	3,053,660,901
External	625,294,558	529,554,658	10,452,232	3,896,396	-	-	290,377,778	218,662,004	-	-	(896,124,569)	(751,113,048)	2,889,540,559	3,053,660,901
Inter-segment	1,397,306,747	1,268,467,247	1,927,390,404	1,825,504,132	-	379,035,301	290,967,915	523,006,917	-	8,674,332	(896,124,569)	(751,113,048)	-	-
Cost of sales	(1,349,447,442)	(1,215,978,529)	(1,838,510,025)	(1,419,794,807)	-	(395,040,065)	(297,859,188)	(528,501,968)	-	(19,880,129)	896,124,568	751,113,048	(2,589,682,085)	(2,838,082,450)
Gross profit / (loss)	47,659,305	52,468,718	88,890,379	205,795,345	-	(16,044,764)	(38,881,211)	(5,446,051)	-	(11,205,797)	-	-	99,848,473	225,578,451
Distribution cost	(27,403,978)	(38,860,702)	(126,873,964)	(111,769,390)	-	(35,123,241)	-	-	-	(2,482,140)	-	-	(154,277,942)	(188,234,463)
Administrative expenses	(25,633,341)	(24,046,328)	(37,510,974)	(28,505,464)	-	(30,530,783)	(10,471,167)	(11,638,979)	-	(1,612,406)	-	-	(73,671,482)	(96,333,892)
Loss from continuing operations before taxation and unallocated income and expenses	(63,039,319)	(62,907,030)	(164,384,939)	(140,273,844)	-	(65,654,024)	(10,471,167)	(11,638,979)	-	(4,094,546)	-	-	(227,895,424)	(284,588,425)
Unallocated income and expenses:	(5,180,014)	(10,418,312)	(75,504,558)	65,521,501	-	(81,658,788)	(47,362,278)	(17,134,039)	-	(15,300,345)	-	-	(128,046,051)	(58,988,974)
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss after taxation from continued operations	1,867,016,773	2,669,808,520	2,319,844,500	2,502,319,690	-	1,657,199,163	990,786,863	978,316,363	-	317,866,157	5,477,448,236	8,116,509,893	946,242,524	575,473,663
Loss after taxation from discontinued operations (Note 8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.3 Reconciliation of reportable segment assets	(50,069,087)	-	-	-	-	-	-	-	-	-	-	-	(427,160,618)	(448,383,280)
	(50,069,087)	-	-	-	-	-	-	-	-	-	-	-	(50,069,087)	-
	-	-	-	-	-	-	-	-	-	-	-	-	(175,039,105)	(448,383,280)

	Weaving		Dyeing		Hosiery		Power Generation		Apparel		Total - Company	
	Un-audited 31 December 2010	Audited 30 June 2010	Un-audited 31 December 2010	Audited 30 June 2010	Un-audited 31 December 2010	Audited 30 June 2010	Un-audited 31 December 2010	Audited 30 June 2010	Un-audited 31 December 2010	Audited 30 June 2010	Un-audited 31 December 2010	Audited 30 June 2010
Total assets for reportable segments	1,867,016,773	2,669,808,520	2,319,844,500	2,502,319,690	-	1,657,199,163	990,786,863	978,316,363	-	317,866,157	5,477,448,236	8,116,509,893
Unallocated assets	-	-	-	-	-	-	-	-	-	-	946,242,524	575,473,663
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	1,902,031,489	-
Total assets as per balance sheet	-	-	-	-	-	-	-	-	-	-	8,025,727,249	8,691,983,556

\* The Company has discontinued the operations of Hosiery and Apparel Divisions during the half year ended 31 December 2010. Analysis of results of these discontinued operations have been given in Note 8 to this unconsolidated condensed interim financial information.

## 11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises of subsidiary company, associated undertakings, other related parties, key management personnel and provident fund trust. The Company in the normal course of business carries out transactions with related parties. Detail of transactions with related parties are as follows:

	(Un-audited)	
	Half year ended	
	31 December 2010	31 December 2009
	Rupees	Rupees
<b>Subsidiary company</b>		
Sales of goods	1,241,947	78,227
Purchase of goods	-	2,109,148
Investment made	-	52,770,500
Share deposit money	-	33,370,500
<b>Associated company</b>		
Dividend income	2,076,608	2,076,608
Insurance premium paid	-	54,185
<b>Other related parties</b>		
Remuneration of key management personnel	30,790,153	25,858,854
Contribution to employees' provident fund trust	9,449,123	8,746,573

## 12. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the Company for the year ended 30 June 2010.

## 13. AUTHORIZED FOR ISSUE

This unconsolidated condensed interim financial information was authorized for issue on 24 February 2011 by the Board of Directors of the Company.

## 14. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison, however, no significant reclassification has been made.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR



**KOHINOOR MILLS LIMITED AND ITS  
SUBSIDIARY**

**CONSOLIDATED CONDENSED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED  
31 DECEMBER, 2010**

**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET  
AS AT 31 DECEMBER 2010**


	Note	(Un Audited) 31 DECEMBER 2010 Rupees	(Audited) 30 JUNE 2010 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
80,000,000 (30 June 2010: 80,000,000) ordinary shares of Rupees 10 each		800,000,000	800,000,000
30,000,000 (30 June 2010: 30,000,000) preference shares of Rupees 10 each		<u>300,000,000</u>	<u>300,000,000</u>
		<u><u>1,100,000,000</u></u>	<u><u>1,100,000,000</u></u>
<b>Issued, subscribed and paid up share capital</b>			
50,911,011 (30 June 2010: 50,911,011) ordinary shares of Rupees 10 each		509,110,110	509,110,110
Reserves		<u>(1,430,398,112)</u>	<u>(678,127,614)</u>
<b>Total equity</b>		<u>(921,288,002)</u>	<u>(169,017,504)</u>
 <b>Surplus on revaluation of operating fixed assets</b>		 1,016,025,867	 1,024,153,342
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	5	302,634,644	346,048,931
Deferred income tax liability		103,551,505	92,861,746
		406,186,149	438,910,677
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,291,380,597	1,381,503,518
Accrued markup		776,769,970	494,147,375
Short term borrowings - secured		4,396,975,962	4,508,280,549
Current portion of long term financing		967,777,024	924,362,737
Provision for taxation		33,240,108	55,513,164
		<u>7,466,143,662</u>	<u>7,363,807,343</u>
<b>Total Liabilities</b>		<u>7,872,329,811</u>	<u>7,802,718,020</u>
 <b>CONTINGENCIES AND COMMITMENTS</b>	 6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>7,967,067,676</u></u>	<u><u>8,657,853,858</u></u>

The annexed notes form an integral part of this consolidated condensed interim financial information.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR

	Note	(Un Audited) 31 DECEMBER 2010 Rupees	(Audited) 30 JUNE 2010 Rupees
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets	7	3,314,651,104	5,348,301,588
Goodwill		33,884,785	33,884,785
Long term security deposits		2,153,672	3,658,673
Deferred income tax asset		22,248,858	22,248,858
		<u>3,372,938,419</u>	<u>5,408,093,904</u>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		284,243,864	323,609,725
Stock-in-trade		763,466,698	1,155,317,441
Trade debts		742,226,900	774,726,517
Loans and advances		247,363,229	333,321,596
Trade deposits and short term prepayments		13,695,058	12,111,297
Other receivables		193,817,327	181,514,579
Sales tax recoverable		94,838,172	120,360,426
Short term investments		313,255,432	272,263,843
Cash and bank balances		39,191,090	76,534,530
		<u>2,692,097,769</u>	<u>3,249,759,954</u>
Non-current assets held for sale	8	1,902,031,488	-
<b>TOTAL ASSETS</b>		<u><u>7,967,067,676</u></u>	<u><u>8,657,853,858</u></u>


  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Note	HALF YEAR ENDED		QUARTER ENDED	
		31 DECEMBER 2010	31 DECEMBER 2009	31 DECEMBER 2010	31 DECEMBER 2009
		Rupees	Rupees	Rupees	Rupees
<b>CONTINUING OPERATIONS:</b>					
SALES		2,783,146,331	3,149,405,047	1,426,482,030	1,455,595,475
COST OF SALES	9	(2,670,280,302)	(2,909,601,773)	(1,388,671,137)	(1,381,163,845)
GROSS PROFIT		112,866,029	239,803,274	37,810,894	74,431,630
DISTRIBUTION COST		(154,948,492)	(189,127,227)	(67,938,054)	(98,164,963)
ADMINISTRATIVE EXPENSES		(99,905,284)	(124,372,710)	(47,796,360)	(63,582,952)
OTHER OPERATING EXPENSES		(3,680,172)	(78,196,549)	(741,276)	(51,693,722)
		258,533,948	391,696,486	114,993,139	213,441,637
		(145,667,919)	(151,893,212)	(77,182,245)	(139,010,007)
OTHER OPERATING INCOME		9,847,101	29,599,207	3,964,710	13,171,275
PROFIT / (LOSS) FROM OPERATIONS		(135,820,818)	(122,294,005)	(73,217,535)	(125,838,732)
FINANCE COST		(278,076,042)	(319,276,963)	(150,871,751)	(176,812,315)
LOSS BEFORE TAXATION		(413,896,860)	(441,570,968)	(224,089,287)	(302,651,047)
PROVISION FOR TAXATION		(27,854,752)	(21,422,964)	(17,114,477)	(8,955,428)
LOSS AFTER TAXATION FROM CONTINUING OPERATIONS		(441,751,612)	(462,993,932)	(241,203,764)	(311,606,475)
<b>DISCONTINUED OPERATIONS:</b>					
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	8	(350,869,087)	-	(252,841,367)	-
<b>LOSS AFTER TAXATION</b>		<b>(792,620,699)</b>	<b>(462,993,932)</b>	<b>(494,045,131)</b>	<b>(311,606,475)</b>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>					
- CONTINUING OPERATIONS		(8.68)	(9.09)	(4.74)	(6.12)
- DISCONTINUED OPERATIONS		(6.89)	-	(4.97)	-

The annexed notes form an integral part of this consolidated condensed interim financial information.

  
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CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	HALF YEAR ENDED		QUARTER ENDED	
	31 DECEMBER 2010	31 DECEMBER 2009	31 DECEMBER 2010	31 DECEMBER 2009
	Rupees	Rupees	Rupees	Rupees
LOSS AFTER TAXATION	(792,620,699)	(462,993,932)	(494,045,131)	(311,606,475)
OTHER COMPREHENSIVE INCOME				
Impairment loss taken to profit and loss account	-	60,750,902	-	34,341,429
Surplus / (deficit) on remeasurment of available for sale investments	43,691,832	112,136,832	43,691,832	112,136,832
Deferred income tax relating to surplus on available for sale investment	(11,469,106)	(29,435,918)	(11,469,106)	(29,435,918)
Other comprehensive income / (loss) for the period - net of tax	32,222,726	143,451,816	32,222,726	117,042,343
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>(760,397,972)</u></b>	<b><u>(319,542,116)</u></b>	<b><u>(461,822,405)</u></b>	<b><u>(194,564,132)</u></b>

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**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)  
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	HALF YEAR ENDED	
	31 December 2010	31 December 2009
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(759,332,992)	(441,570,968)
<b>Adjustment for non cash charges and other items:</b>		
Depreciation	146,749,743	157,437,292
Amortization of intangible asset	1,292,643	1,235,957
Dividend income	(2,076,608)	(2,076,608)
(Gain) / loss on sale of operating fixed assets	115,173	(1,147,055)
Impairment loss on equity investment	2,700,240	66,376,403
Finance cost	<u>386,494,770</u>	<u>319,276,963</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ADJUSTMENT OF WORKING CAPITAL</b>	(224,057,031)	99,531,984
<b>(Increase) / decrease in current assets</b>		
Stores, spares and loose tools	39,365,861	33,925,309
Stock-in-trade	391,850,743	112,506,296
Trade debts	32,499,617	(33,097,153)
Loans and advances	85,958,367	(122,519,045)
Trade deposits and short term prepayments	(1,583,761)	(5,435,079)
Other receivables	(41,751,314)	(53,779,238)
Sales tax recoverable	25,522,254	(2,824,624)
<b>Increase / (decrease) in current liability</b>		
Trade and other payables	<u>(90,122,921)</u>	<u>143,075,232</u>
<b>EFFECT ON CASH FLOWS DUE TO WORKING CAPITAL CHANGES</b>	441,738,847	71,851,698
<b>CASH GENERATED FROM OPERATIONS</b>	217,681,817	171,383,681
Income tax paid	(24,814,937)	(24,547,344)
Finance cost paid	<u>(103,872,174)</u>	<u>(217,098,070)</u>
<b>NET CASH GENERATED FROM / (UTILIZED IN) OPERATING ACTIVITIES</b>	<u>(128,687,110)</u>	<u>(241,645,414)</u>
	88,994,707	(70,261,733)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure on property, plant and equipment	(25,876,212)	(101,478,754)
Proceeds from disposal of property, plant and equipment	9,337,650	3,363,691
Dividend on equity investments received	-	2,076,608
Long term security deposits	<u>1,504,999</u>	<u>10,915</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(15,033,563)	(96,027,540)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term borrowings - net	<u>(111,304,587)</u>	<u>(50,368,890)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(111,304,583)</u>	<u>(50,368,890)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(37,343,440)	(216,658,163)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	76,534,530	281,229,300
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>39,191,090</u>	<u>64,571,137</u>

The annexed notes form an integral part of this consolidated condensed interim financial information.

  
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**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	RESERVES						TOTAL EQUITY	
	CAPITAL		REVENUE					Total
	Share premium	Fair value reserve	Sub-Total	General	Accumulated Loss	Sub-Total		
509,110,110	213,406,310	29,463,545	242,869,855	1,058,027,640	(970,795,826)	87,231,814	330,101,669	839,211,779
Balance as at 01 July 2009 - (audited)								
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax								
-	-	-	-	-	8,456,792	8,456,792	-	8,456,792
Total comprehensive loss for the half year ended 31 December 2009								
509,110,110	213,406,310	172,915,361	386,324,671	1,058,027,640	(1,425,332,967)	(367,305,327)	(319,542,116)	528,126,454
Balance as at 31 December 2009 - (Un-audited)								
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax								
-	-	-	-	-	8,456,791	8,456,791	-	8,456,791
Total comprehensive loss for the period ended 30 June 2010								
-	-	398,190	398,190	-	(705,998,940)	(705,998,940)	(705,600,750)	(705,600,750)
Balance as at 30 June 2010 - (audited)								
509,110,110	213,406,310	173,313,551	386,719,861	1,058,027,640	(2,122,875,115)	(1,064,847,475)	(678,127,614)	(169,017,504)
Balance as at 30 June 2010 - (audited)								
Transfer from surplus on revaluation of property, plant and equipment - net of deferred tax								
-	-	-	-	-	8,127,474	8,127,474	-	8,127,474
Total comprehensive loss for the half year ended 31 December 2010								
-	-	32,222,726	32,222,726	-	(792,620,699)	(792,620,699)	(760,397,972)	(760,397,972)
Balance as at 31 December 2010 - (Un-audited)								
509,110,110	213,406,310	205,536,277	418,942,587	1,058,027,640	(2,907,368,340)	(1,849,340,700)	(1,430,398,112)	(921,288,002)

The annexed notes form an integral part of this consolidated condensed interim financial information.

  
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## **SELECTED NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

### **1. THE GROUP AND ITS OPERATIONS**

#### **1.1 Holding company**

Kohinoor Mills Limited (the Company) is a public limited company incorporated on 21 December 1987 in Pakistan under the Companies Ordinance, 1984 and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The registered office of the Company is situated at 8-K.M. Manga Raiwind Road, District Kasur. The Company is principally engaged in the business of textile manufacturing covering weaving, bleaching, dyeing, stitching, buying, selling and otherwise dealing in yarn, cloth and other goods and fabrics made from raw cotton and synthetic fiber, and to generate, distribute and sell electricity.

#### **1.2 Subsidiary company**

Wholly owned subsidiary company Q Mart Corporation (Private) Limited is a private limited company incorporated in Pakistan, under the provisions of Companies Ordinance 1984. The registered office of the company is in Lahore. The principal activity of the company is to carry on business as a retailer in all types of general merchandise.

#### **1.3 GOING CONCERN ASSUMPTION**

The Group incurred loss after taxation of Rupees 1,136.512 million in the preceding financial year ended 30 June 2010 and further incurred loss after taxation of Rupees 792.621 million for the current half year ended 31 December 2010. These losses have resulted in erosion of Group's reserves and depletion of working capital base and further, the Group has been unable to meet its debt repayment obligations. In order to turn the current state of affairs around and replenish its lost working capital, the management has devised a detailed strategy envisaging increased focus on its core business of greige and dyed fabric and divestment from Hosiery and Apparel operations. The plan entails disposal of assets of these divisions and repayment of debt out of their sale proceeds, restructuring and rescheduling of the remaining debt and injection of fresh working capital. The holding company has finalized the sale of Hosiery Division's assets and Apparel Division's building with an interested buyer. Further, the "in principle" approval has been obtained from all the major bankers for the proposed settlement and restructuring of the holding company's debt.

The debt remaining after repayment is proposed to be converted into long term finance with ten years maturity and an initial moratorium on principal repayment for two years with reduced mark up rates. Further, the banks shall also disburse a fresh working capital line of Rupees 700 million. These funds will enable the Group to operate again at an optimum level. The current order book of the holding company is quite healthy and it has confirmed orders upto June 2011 at full capacity in its core divisions. Therefore, the management is confident that these steps will bring the Group out of existing financial crisis and it will continue as a going concern. This consolidated condensed interim financial information, therefore, do not include any adjustment relating to realization of its assets and liquidation of any liabilities that might be necessary should the Group be unable to continue as a going concern.

### **2 BASIS OF PREPARATION**

This consolidated condensed interim financial information is un-audited and is being submitted to shareholders as required by section 245 of the Companies Ordinance, 1984. This consolidated condensed interim financial information of the Group for the half year ended 31 December 2010 has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This consolidated condensed interim financial information should be read in conjunction with the audited annual published financial statements of the Group for the year ended 30 June 2010.

### **3 ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of this consolidated condensed interim financial information are the same as those applied in the preparation of the preceding audited annual published financial statements of the Group for the year ended 30 June 2010.

### **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of this consolidated condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During preparation of this consolidated condensed interim financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in the preceding audited annual published financial statements of the Group for the year ended 30 June 2010.

	Un-Audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>5. LONG TERM FINANCING - SECURED</b>		
Opening balance	1,270,411,668	1,270,411,668
Add: Obtained during the period / year	-	-
Less: Repaid during the period / year	-	-
	<u>1,270,411,668</u>	<u>1,270,411,668</u>
Less: Current and overdue portion shown under current liabilities	<u>(967,777,024)</u>	<u>(924,362,737)</u>
	<u>302,634,644</u>	<u>346,048,931</u>

## 6 CONTINGENCIES AND COMMITMENTS

### 6.1 CONTINGENCIES

There is no significant change in the status of contingencies as reported in the preceding audited annual published financial statements of the group for the year ended 30 June 2010.

### 6.2 Commitments

#### Holding Company

- (i) Contracts for capital and revenue expenditures are amounting to Rupees Nil (30 June 2010: Rupees 0.650 million) and Rupees 58.671 million (30 June 2010: Rupees 51.383 million) respectively.
- (ii) Post dated cheques issued to suppliers are amounting to Rupees 152.105 million (30 June 2010: Rupees 27.507 million).

#### Subsidiary Company

- (iii) Post dated cheques issued to suppliers are amounting to Rupees 0.514 million (30 June 2010: Rupees 4.485 million).

	Un-Audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>7. FIXED ASSETS</b>		
Property, plant and equipment		
Operating assets (Note 7.1)	3,273,556,580	5,299,081,071
Capital work in progress (Note 7.2)	35,819,675	42,653,027
Intangible assets - computer software	5,274,849	6,567,490
	<u>3,314,651,104</u>	<u>5,348,301,588</u>

### 7.1 Operating assets

Opening book value	5,299,081,067	5,483,272,820
Cost of additions during the period / year ( Note 7.1.1)	<u>32,709,568</u>	<u>161,173,387</u>
	5,331,790,635	5,644,446,207
Less: Book value of deletions during the period / year (Note 7.1.2)	(9,452,823)	(21,576,035)
Depreciation charged during the period / year	(146,749,743)	(323,789,101)
Classified as held for disposal at book value	<u>(1,902,031,489)</u>	<u>-</u>
Closing book value	<u>3,273,556,580</u>	<u>5,299,081,071</u>

#### 7.1.1 Cost of additions

Residential building	722,850	-
Factory building	4,459,029	2,992,907
Building on leasehold land	-	4,777,969
Plant and machinery	21,095,652	129,925,991
Electric installations	1,248,994	4,532,148
Furniture, fixtures and equipment	1,112,148	8,168,072
Vehicles	2,305,999	4,763,186
Computers	1,764,896	6,013,114
	<u>32,709,568</u>	<u>161,173,387</u>

	<b>Un-Audited 31 December 2010 Rupees</b>	<b>Audited 30 June 2010 Rupees</b>
<b>7.1.2 Book value of deletions</b>		
Cost of deletions		
Land	-	2,800,000
Plant and machinery	39,809,212	60,837,573
Computers	28,750	9,800
Motor vehicles	2,806,536	11,087,481
	42,644,498	74,734,854
Less: Accumulated depreciation		
Plant and machinery	32,134,767	47,969,312
Computers	11,651	6,468
Motor vehicles	1,045,257	5,183,039
	33,191,675	53,158,819
	<u>9,452,823</u>	<u>21,576,035</u>
<b>7.2 Capital work in progress</b>		
Land	500,000	500,000
Plant and machinery	30,756,669	36,900,021
Civil works on freehold land	4,563,006	4,563,006
Electric installations	-	690,000
	<u>35,819,675</u>	<u>42,653,027</u>

## 8. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets classified as held for sale under International Financial Reporting Standard (IFRS) 5 'Non-current Assets Held For Sale and Discontinued Operations' in their respective categories are summarized hereunder:

	<b>Un-audited 31 December 2010 Rupees</b>	<b>Audited 30 June 2010 Rupees</b>
<b>(a) Non-current assets classified as held for sale</b>		
Property, plant and equipment - Hosiery Division (Note 8.1)	1,080,384,522	-
Property, plant and equipment - Apparel Division (Note 8.2)	264,146,967	-
Surplus Industrial land (Note 8.3)	557,500,000	-
	<u>1,902,031,489</u>	<u>-</u>

	<b>(Un-audited)</b>	
	<b>Half year ended</b>	
	<b>31 December 2010 Rupees</b>	<b>31 December 2009 Rupees</b>
<b>(b) Analysis of the result of discontinued operations</b>		
<b>Loss after taxation from discontinued operations</b>		
Hosiery Division (Note 8.1)	(342,407,347)	-
Apparel Division (Note 8.2)	(8,461,740)	-
	<u>(350,869,087)</u>	<u>-</u>
<b>Cash flows from discontinued operations</b>		
Hosiery Division (Note 8.1)	(14,331,618)	-
Apparel Division (Note 8.2)	72,546	-
	<u>(14,259,072)</u>	<u>-</u>

A breakup of the constituents of non-current assets held for sale and discontinued operations is given as follows:

## 8.1 Property, plant and equipment - Hosiery Division

The Board of Directors of the Holding Company in its meeting held on 23 November 2010 resolved to dispose off the fixed assets of the Hosiery Division, which was approved by the members of the Holding Company in the Extra-Ordinary General Meeting held on 20 January 2011. A Memorandum of Understanding for sale of assets by and between the Holding Company, an interested buyer and majority shareholders of the Holding Company was made on 24 December 2010 whereby the Holding Company offered to sell and the interested buyer agreed to purchase the assets of Hosiery Division, free from any claims, demands, litigations, liens or encumbrances of any nature, for a sum of Rupees 1.5 billion. The Holding Company is in the process of arranging 'no objection certificates' from the secured lenders of the Holding Company, as a part of the sale proceeds will be utilized for repayment of existing liabilities towards the secured lenders. The Holding Company is hopeful of executing the transfer documents, to confirm the sale of assets, before 28 February 2011.

	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>Non-current assets classified as held for sale</b>		
Residential building	42,226,955	-
Factory building	372,396,511	-
Plant and machinery	633,978,463	-
Electric installations	13,083,433	-
Furniture, fixtures and equipment	14,571,774	-
Computers	3,514,801	-
Intangible asset	612,585	-
	<u>1,080,384,522</u>	<u>-</u>

(Un-audited)

Half year ended	
31 December 2010 Rupees	31 December 2009 Rupees

### Analysis of the result of discontinued operation

SALES	569,638,119	-
COST OF SALES	(699,332,110)	-
GROSS LOSS	(129,693,991)	-
DISTRIBUTION COST	(34,615,652)	-
ADMINISTRATIVE EXPENSES	(31,691,470)	-
OTHER OPERATING EXPENSES	(36,209,217)	-
	<u>(102,516,339)</u>	<u>-</u>
	(232,210,330)	-
OTHER OPERATING INCOME	3,718,699	-
LOSS FROM DISCONTINUED OPERATION	(228,491,631)	-
FINANCE COST	(108,418,729)	-
LOSS BEFORE TAXATION FROM DISCONTINUED OPERATION	(336,910,360)	-
TAXATION	(5,496,987)	-
	<u>(342,407,347)</u>	<u>-</u>

### Analysis of the cash flows of discontinued operation

Operating cash flows	46,307,485	-
Investing cash flows	(16,616,598)	-
Financing cash flows	(44,022,505)	-
	<u>(14,331,618)</u>	<u>-</u>

## 8.2 Property, plant and equipment - Apparel Division

The Board of Directors of the Holding Company in its meeting held on 23 November 2010 also resolved to dispose off the fixed assets of Apparel Division. An Extra-Ordinary General Meeting of the members of the Holding Company has been called on 24 February 2011 for consideration and approval of the disposal of Apparel Division's factory building and surplus industrial land of the Holding Company. An Addendum to the Memorandum of understanding, referred to in note 8.1 above, has been made on 31 January 2011. Apparel Division's factory building and a portion of surplus industrial land have been included in assets being sold and aggregate sale consideration, as agreed under the original Memorandum of Understanding dated 24 December 2010, has been enhanced to Rupees 1.9 billion. The completion of sale of Apparel Division's factory building is expected by 28 February 2011.

An active programme to locate a buyer for remaining non-current assets of Apparel Division and complete the disposal plan have been initiated. The proceeds from disposal of these remaining non-current assets classified as held for sale of Apparel Division are expected to exceed the carrying amount of these assets. The management of Holding Company is hopeful of completing the sale transaction within one year.

	Un-audited 31 December 2010 Rupees	Audited 30 June 2010 Rupees
<b>Non-current assets classified as held for sale</b>		
Factory building	141,121,906	-
Plant and machinery	101,128,641	-
Electric installations	7,244,919	-
Furniture, fixtures and equipment	14,116,465	-
Computers	535,036	-
	<u>264,146,967</u>	<u>-</u>

	(Un-audited)	
	Half year ended	
	31 December 2010 Rupees	31 December 2009 Rupees
<b>Analysis of the result of discontinued operation</b>		
SALES	19,640	-
COST OF SALES	<u>(8,397,260)</u>	<u>-</u>
GROSS LOSS	(8,377,620)	-
DISTRIBUTION COST	(419,939)	-
ADMINISTRATIVE EXPENSES	<u>(244,443)</u>	<u>-</u>
	(664,382)	-
	(9,042,002)	-
OTHER OPERATING INCOME	516,231	-
LOSS FROM DISCONTINUED OPERATION	<u>(8,525,771)</u>	<u>-</u>
FINANCE COST	-	-
LOSS BEFORE TAXATION FROM DISCONTINUED OPERATION	(8,525,771)	-
TAXATION	64,031	-
	<u>(8,461,740)</u>	<u>-</u>

### Analysis of the cash flows of discontinued operation

Operating cash flows	(85,855)	-
Investing cash flows	158,401	-
	<u>72,546</u>	<u>-</u>

### 8.3 Surplus Industrial land

As stated in Note 8.2 above, the Board of Directors of the Holding Company has resolved to dispose off the surplus industrial land and an Extra-Ordinary General Meeting is being called for approval of disposal by members of the Holding Company. A portion of surplus industrial land is being sold to an interested buyer as part of sale transaction referred to in Note 8.2 above. As regards remaining surplus industrial land, the lenders of the Holding Company have expressed their interest in swap of their debt with surplus industrial land of the Holding Company and necessary formalities in this regard are being completed. Management of the Holding Company is hopeful of completing the disposal of surplus industrial land by the end of the current financial year.

		(Un-audited)	
		HALF YEAR ENDED	
		31 December 2010	31 December 2009
		Rupees	Rupees
<b>9. COST OF SALES</b>			
<b>Holding Company</b>			
Raw material consumed		1,641,024,425	1,909,408,401
Chemical consumed		266,001,682	296,344,125
Salaries, wages and other benefits		90,783,678	144,140,062
Employee's provident fund contributions		3,895,742	5,986,180
Cloth conversion and processing charges		12,543,346	10,851,928
Fuel, oil and power		214,665,159	43,834,380
Stores, spares and loose tools		53,645,443	89,038,076
Packing material		17,039,382	44,872,330
Repair and maintenance		14,816,409	9,022,143
Insurance		3,383,811	3,574,601
Other manufacturing expenses		13,617,015	22,241,390
Depreciation		<u>95,543,066</u>	<u>146,957,880</u>
		2,426,959,159	2,726,271,498
Work-in-process inventory			
Opening stock		<u>133,538,923</u>	<u>312,470,941</u>
Closing stock		<u>(106,464,074)</u>	<u>(270,302,698)</u>
		27,074,849	42,168,243
Cost of goods manufactured		2,454,034,007	2,768,439,740
Cost of yarn and cloth purchased for resale		<u>32,932,404</u>	<u>24,719,957</u>
		2,486,966,411	2,793,159,697
Finished goods inventory			
Opening stock		<u>584,673,771</u>	<u>631,137,184</u>
Closing stock		<u>(483,190,044)</u>	<u>(597,956,817)</u>
		101,483,727	33,180,367
		2,588,450,138	2,826,340,064
<b>Subsidiary Company</b>			
Opening stock		<u>35,537,776</u>	<u>31,009,710</u>
Purchase during the period		<u>68,371,046</u>	<u>93,942,605</u>
		103,908,822	124,952,315
Closing stock		<u>(22,078,658)</u>	<u>(41,690,606)</u>
		81,830,164	83,261,709
Cost of sales		<u>2,670,280,302</u>	<u>2,909,601,773</u>

**10. SEGMENT INFORMATION**

10.1 The group has four reportable business segments. The following summary describes the operation in each of the group's reportable segments:

- Wearing: Production of different quality of greige fabric using yarn.
- Dyeing: Processing of greige fabric for production of dyed fabric.
- Power Generation: Generation and distribution of power.
- Retail: Carrying out retail business in all types of general merchandise.

10.2 Transactions among the business segments are recorded at arm's length prices using admissible valuation methods. Inter segment sales and purchases have been eliminated from the total.

	Weaving		Dyeing		Hesley *		Power Generation		Apparel *		Retail		Elimination of inter-segment transactions		Total - Group	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Sales	772,012,193	739,912,599	191,638,173	1,621,693,798	-	370,035,301	-	304,344,913	8,674,332	94,847,720	95,744,145	-	2,783,798,021	-	3,149,405,046	-
Other operating income	625,264,938	529,556,638	10,452,232	3,886,396	-	-	280,967,975	219,662,004	-	-	1,762,397	-	886,714,765	(752,855,435)	1,344,605,044	-
Cost of sales	(1,139,447,442)	(1,216,978,578)	(1,838,510,036)	(1,419,794,870)	-	(370,035,301)	(260,967,975)	(628,501,988)	(13,880,120)	(81,303,164)	(80,281,708)	-	(886,714,765)	(752,855,435)	(2,299,801,723)	-
Gross profit / (loss)	47,829,334	52,488,716	89,899,379	205,795,345	-	(69,009,799)	(89,899,211)	6,485,051	(11,205,797)	13,017,856	180,748,241	-	12,889,028	-	239,893,274	-
Distribution cost	(7,643,939)	(8,989,706)	(138,870,864)	(11,763,380)	-	(8,129,240)	-	(670,650)	(2,482,140)	(670,650)	(892,745)	-	-	-	(15,448,420)	(188,027,208)
Administrative expenses	(3,555,349)	(2,048,238)	(37,510,874)	(29,526,480)	-	(9,530,730)	(10,471,167)	(11,638,939)	(1,612,098)	(29,387,354)	(28,039,736)	-	-	-	(69,085,365)	(124,872,711)
(Loss) / Profit from continuing operations before taxation and allocated income and expenses	(530,933,927)	(62,907,030)	(164,384,959)	(146,273,964)	-	(69,592,029)	(10,471,167)	(11,939,979)	(4,094,986)	(29,599,444)	(29,597,514)	-	-	-	(24,853,076)	(313,699,839)
Unallocated income and expenses:																
Finance cost	(5,180,022)	(10,419,312)	(75,594,950)	65,521,511	-	(81,657,788)	(47,362,378)	(17,134,000)	(15,300,345)	(19,340,788)	208,679,755	-	-	-	(41,967,748)	(73,886,685)
Other operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss after taxation from continued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss after taxation from discontinued operations (Note 8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss after taxation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**10.3 Reconciliation of reportable segments**

	Weaving		Dyeing		Hesley		Power Generation		Apparel		Retail		Total - Group	
	31 December 2010	30 June 2010	31 December 2010	30 June 2010	31 December 2010	30 June 2010	31 December 2010	30 June 2010	31 December 2010	30 June 2010	31 December 2010	30 June 2010	31 December 2010	30 June 2010
Total assets for reportable segments	1,865,574,013	2,658,931,884	2,318,644,930	2,902,518,166	-	1,657,899,232	990,600,630	978,007,090	-	313,723,441	214,078,520	237,024,547	5,389,000,663	8,346,495,410
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	641,250,740	275,473,663
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	33,884,785	33,884,785
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	1,920,317,688	-
Total assets as per balance sheet	-	-	-	-	-	-	-	-	-	-	-	-	7,967,067,676	8,657,853,858

\* The Holding Company has discontinued the operations of Hesley and Apparel Divisions during the half year ended 31 December 2010. Analysis of results of these discontinued operations have been given in Note 8 to this consolidated condensed interim financial information.

## 11. TRANSACTIONS WITH RELATED PARTIES

Related parties comprises associated undertakings, other related parties, key management personnel and provident fund trust. The group in the normal course of business carries out transactions with related parties.

	(Un-audited)	
	Half year ended	
	31 December 2010	31 December 2009
	Rupees	Rupees
<b>Associated company</b>		
Dividend income	2,076,608	2,076,608
Insurance premium paid	-	54,185
<b>Other related parties</b>		
Remuneration of key management personnel	31,942,057	27,538,854
Contribution to employees' provident fund trust	9,449,123	8,746,573

## 12. FINANCIAL RISK MANAGEMENT

The group's financial risk management objectives and policies are consistent with those disclosed in the preceding audited annual published financial statements of the group for the year ended 30 June 2010.

## 13. AUTHORIZED FOR ISSUE

This consolidated condensed interim financial information was authorized for issue on 24 February 2011 by the Board of Directors of the Holding Company.

## 14. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison, however, no significant reclassification has been made.

  
AAMIR FAYYAZ SHEIKH  
CHIEF EXECUTIVE

  
ASAD FAYYAZ SHEIKH  
DIRECTOR